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# **The Ruling Coalition in the Philippines: Searching for the Right Chemistry**

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**An Intelligence Assessment**

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*EA 86-10028  
LDA 86-10531  
July 1986*

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# **The Ruling Coalition in the Philippines: Searching for the Right Chemistry**

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**An Intelligence Assessment**

This paper was prepared by [redacted]  
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of Leadership Analysis. Comments and queries are  
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**Scope Note**

It will be some time before results can be expected or the “peoples’ power revolution” in the Philippines can be fully assessed. Nevertheless, because the direction the new government takes is so critical to US interests, this paper speculates on ways the “Aquino experiment” might work out by evaluating the loose factions that constitute the coalition.

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**Key Judgments**

*Information available  
as of 2 June 1986  
was used in this report.*

The political situation in Manila is fluid and the factions that make up Aquino's coalition government do not always agree on key issues. We believe that over the near term three issues threaten the bonds of political convenience that hold the coalition together:

- Conflict over liberalizing *labor policy* is already causing friction between President Aquino's leftist confidants and conservative advisers. Forcing the issue are activist union leaders who believe that strikes will be more successful under the new government because labor supported Aquino during the election campaign.
- *Counterinsurgency strategy*. The Communist Party's willingness to discuss the government's cease-fire proposals is providing leftist Cabinet members with ammunition to use against conservative military advisers who favor a military approach.
- Aquino's insistence on uncovering the *economic and social abuses of Ferdinand Marcos* and his associates has created tensions between some of her advisers and several coalition members, including Defense Minister Enrile and Finance Minister Ongpin. Many military officers are concerned that investigations into human rights violations will turn into a purge of the armed forces.

We believe tensions resulting from these issues will prompt defections from the Cabinet and cause realignments in the coalition over the next year. Strains within the government are clearly greatest between Aquino's left-leaning, populist confidants and her conservative military and financial advisers. To a lesser extent, Aquino is likely to have a hand in reshaping the coalition by dropping some members of her Cabinet. Whether such firings were for personal or for ideological reasons, they could change the factional makeup of the coalition, causing a shift in the direction of government policy:

- If *conservative members of the coalition* depart—we think this is the most probable of any likely scenario—we believe the absence of traditional political views in the Cabinet will produce a populist course on such issues as foreign trade regulations. The chances for economic recovery under such circumstances would be substantially reduced.

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- If the *key members of the left* bolt the coalition, we believe the influence of conservatives in the Cabinet on issues such as counterinsurgency and economic policy will be greatly strengthened. This would result in a more aggressive counterinsurgency approach by the armed forces toward the Communist New People's Army.
- If the *pragmatists who constitute much of the political center* leave—which we believe is the least likely outcome—most policy debates will become victims of power plays between warring Cabinet factions. Such a development probably would produce paralysis at senior levels of government and make an early casualty of Aquino's reformist agenda.

Whatever the outcome of the jockeying in the coalition, we believe that Aquino's "survey and mull the evidence" approach to decisionmaking and the fact that the new coalition is disparate and disorganized will produce more uncertainty and potential strains in US-Philippine relations than during the Marcos years. In particular, Aquino could resist accepting advice from Washington on issues such as counterinsurgency and economic policy or take a more nationalistic stand than Marcos during the 1988 review of the military bases agreement:

- Stronger leftist influence on Aquino could result in policy that runs counter to US interests, including sharply restricting activities staged on and from the US military bases.
- Populist policies advocated by leftists could also undermine economic recovery by restricting foreign investment opportunity or discouraging foreign investors.

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***Aquino's Constituencies:  
The Basis of the Coalition***

*President Aquino's fragile coalition is a loose grouping of old-guard politicians, businessmen, issue-oriented leftists, reform-minded military officers, and the church. Although the core of her supporters are from the ranks of former Marcos opponents, Aquino also garnered widespread support from the church, the middle class, and the military. Each of these groups is represented in some fashion in the Cabinet or among her principal advisers.* [ ]

***Traditional Political Elites***

*Most of Aquino's advisers, Cabinet members, and supporters are members of the country's political and financial elite and come from three parties: PDP-Laban, UNIDO, and the Liberal Party. The most prominent members of this group are: close adviser and brother of the President, Jose Cojuangco; Local Government Minister Aquilino Pimentel; Agriculture Minister Ramon Mitra; and Vice President Salvador Laurel.* [ ]

***The Business Community***

*The business community is another key pillar of support for Aquino. When Aquino emerged as a presidential contender in the year preceding the election, she relied heavily on the advice and support of key members of the business community and subsequently rewarded many with important positions. Most prominent among this group are Finance Minister Jaime Ongpin and Trade and Industry Minister Jose Concepcion.* [ ]

***Idealistic Leftists***

*Aquino's emergence as a political player following her husband Benigno's assassination prompted issue-oriented activists to court her in an attempt to take*

*advantage of her popularity. Aquino admired many of these leftists—several of whom defended political detainees, such as her husband—for their integrity and distance from traditional Philippine politics. Since coming to power, Aquino has placed several of these activists in key Cabinet positions, including Executive Secretary Joker Arroyo and Presidential Spokesman Renito Saguisag.* [ ]

***The Military***

*Because of Aquino's ties to the left, the military has viewed her with strong distrust. The eleventh-hour decision, however, by Defense Minister Enrile, armed forces Chief of Staff Ramos, and a small group of reform-minded officers to defect to Aquino following Marcos's reelection prompted the bulk of the military in Manila to shift allegiance to Aquino. The military, however, remains suspicious of the new government.* [ ]

***The Church***

*Aquino's strong religious beliefs and her pledge to try to improve the lot of the poor made her a popular candidate of the Catholic Church. The church's role in the rebellion—calling on "people power" to protect the reformist officers—has increased its role in the new government and made it one of Aquino's staunchest allies. Key players in this group include Father Joaquin Bernas and Cardinal Jaime Sin.* [ ]

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## The Ruling Coalition in the Philippines: Searching for the Right Chemistry

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### Introduction

As the euphoria that surrounded Aquino's first days in office has receded, she has had to begin to grapple with the realities of dismantling Ferdinand Marcos's political machine and the challenge of solving the country's pressing problems. Persistent efforts by former members of Marcos's administration to resist Aquino's attempts to diminish their influence have slowed Aquino's start. But a growing number of press reports suggest that many of her actions, including the abolition of the National Assembly, the replacement of local officials with her supporters, and efforts to negotiate a cease-fire with the Communist insurgents at the military's expense, have also proved controversial among members of her own support base (see inset).

center—also support closer ties to Washington to ease the concerns of international creditors, to bolster investor confidence, and to obtain additional foreign aid. In the absence of the left in the coalition, however, there is the risk that old-style politicians such as Laurel will indulge in the politics of favoritism and corruption that marked the previous government. Such actions almost certainly would undermine Washington's long-term goal of strengthening democratic institutions in the Philippines.

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### An Emerging Style

Aquino's difficulties in managing the coalition are primarily attributable to its divergence of views. Aquino probably intended her Cabinet to be as representative as possible of the broad domestic political spectrum—and thus as democratic as possible—while repaying debts to supporters who proved particularly helpful during the campaign. A more pessimistic view of the coalition is that it represents a mixture of factions that cannot be expected to agree on key strategic policy issues. In either case, the US Embassy reports that Aquino's domestic credibility as a strong leader has suffered because of her apparent hesitancy to rein in her more freewheeling ministers, such as Local Government Minister Aquilino Pimentel.

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The purpose of this paper is to examine the makeup of Aquino's coalition and consider the ways that it may change in the months ahead. The shape the coalition assumes after a year or so of growing pains is of obvious consequence to Washington. If leftists win out in the power struggle we think is possible, Aquino may implement policy that runs counter to US interests, including sharply restricting activities staged on or from the US military bases. In addition, populist policies advocated by leftist advisers could undermine the economic recovery, particularly by restricting foreign investment opportunity or discouraging foreign investors.

Although personal differences among the advisers are an element of this fractiousness, analysis of their backgrounds suggests that the factions are loosely held together by philosophy and ideological commitment (see chart in pocket at end of report). Advisers that appear to exercise the most influence on policy matters are members of her political party (PDP-Laban), including her brother Jose Cojuangco, Pimentel, and Agriculture Minister Ramon Mitra; a group

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If conservative advisers prevail in internal struggles in the coalition, the impact on US interests will be very different. Advisers such as Vice President Laurel and Defense Minister Enrile have publicly advocated retention of the US bases beyond 1991, when the agreement can be terminated with one year's notice. Economic advisers such as Finance Minister Ongpin—a pragmatist representing the political

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of advisers Philippine political observers have called the Jesuit Mafia who share Aquino's social and religious values, including Father Joaquin Bernas, Finance Minister Jaime Ongpin, Trade and Industry Minister Jose Concepcion, and close associate Cecilia Munoz Palma; and idealistic leftists, such as Executive Secretary Joker Arroyo and Presidential Spokesman Renito Saguisag. Aquino apparently solicits views from members of each of these groups before acting on tough decisions. The advisers, however, often take opposing positions on issues such as the status of the National Assembly. For example, the US Embassy reports that Cojuangco, who along with Pimentel has held sway with Aquino on the issue of replacing local officials, was pressing her to work with the Assembly. According to the Embassy, Aquino instead went with the advice of idealists in her government—and apparently her own political instincts—and disbanded the body. [REDACTED]

Enrile had cultivated alliances with a considerable number of Assemblymen—has removed their greatest source of independent political power and thus has lessened their leverage in the government. Nonetheless, they continue to publicly criticize Aquino on issues such as replacing local officials and counterinsurgency strategy. Whatever their intentions, this move will enable them to distance themselves from potentially damaging government policies and to be in a position to capitalize on public dissatisfaction with Aquino's party when local and national elections are held—perhaps as early as November. [REDACTED]

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#### **The Coalition on the Issues So Far**

In the pessimistic view of the new government—that it is probably not possible for Aquino to set a course for public policy that satisfies all factions in her coalition—several political issues emerge as critical. In our view, ideological differences between leftist confidants of Aquino and rightwing military advisers in the Cabinet over how to proceed on counterinsurgency have caused the most severe strains in the government so far. [REDACTED]

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[REDACTED] leftist advisers, specifically Arroyo and Saguisag, are responsible for her pacifist policy; one reformist officer even threatened to “lynch” those advisers he believes are behind the policy. Nevertheless, at recent University of the Philippines graduation exercises, Aquino said that the government would soon announce a formal cease-fire proposal, despite increased insurgent military operations that have claimed nearly 1,000 lives—civilian, military, and insurgents—since she took office. [REDACTED]

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The personal ambitions and political maneuverings of Vice President Laurel and Defense Minister Enrile—Cabinet members but outsiders in most policy deliberations—have not helped matters. Both considered seeking the presidency long before Aquino and are fighting to create bases outside the government in an attempt to force the President to share power in political and military decisions. Aquino's decision to dissolve the National Assembly—where Laurel and

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Struggles in the Cabinet to gain influence with Aquino have largely prevented the government from moving ahead with its reformist agenda. [REDACTED]

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representative to review local appointments made by Pimentel. Pimentel apparently is interpreting the move as a rebuke and is proceeding more circumspectly in placing supporters in local offices. In addition, the Embassy reports that Pimentel is now traveling to provinces and holding open meetings with prospective replacements before appointing new officials—probably in an effort to make the process appear less arbitrary. Pimentel also recently announced that government appointees to local offices would be removed if sufficient evidence suggested that the new officials were dishonest or incompetent. [REDACTED]

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Differences over labor policy are also causing rifts in the Cabinet, in our view, particularly between leftists such as Labor Minister Sanchez and moderates such as Trade and Industry Minister Concepcion. Aquino's decision to side with Sanchez and ease restrictions on strikes has drawn sharp criticism from the business community, according to the US Embassy. The decision lowers the percentage needed for a strike vote from two-thirds to a simple majority and eliminates the mandatory 15-day cooling-off period between the time a strike is called and the time it is implemented. [REDACTED]

Because the appointment of local officials will be completed well before local elections take place, Aquino may have already borne or at least partially diffused most of the short-term political costs associated with her efforts to build a nationwide power base. Aquino has also taken steps to alter the public perception that leftist advisers are unduly influencing policy. She recently met privately with Labor Minister Sanchez, who had been advocating radical labor policies—for example, by encouraging strikes of civilian workers at the US bases and calling for restrictions on foreign investment. The Embassy reports that Aquino chastised Sanchez for publicly advocating the recent strike at the bases and ordered him to help resolve it quickly. In addition, Aquino told him to moderate his public statements and concentrate on his transition from private citizen to public figure. Embassy reporting suggests that since the dressing down Sanchez's statements have been considerably more subdued, although businessmen remain unconvinced that he has had a change of heart. [REDACTED]

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In addition, Sanchez's ties to the left appear to be costing Aquino some support from mainstream labor groups. According to the US Embassy, Sanchez has aligned himself with the Kilusang May Uno (KMU)—a radical labor group of nearly 1 million members with close ties to the Communist Party—and has largely ignored the country's other labor unions, including its largest, the Trade Union Congress of the Philippines (TUCP). According to the US Embassy, union leaders are outraged by Sanchez's apparent bias toward the KMU and are growing disenchanted with the new government, a development that could cost Aquino much of the labor vote—total union strength is about 5 million members—when elections are held. [REDACTED]

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#### **Climbing the Learning Curve**

[REDACTED] Aquino has become sensitive to the political costs of her administration's inability to act as a unit and is moving to contain the damage. According to the US Embassy, Aquino recently established a four-member panel composed of three PDP-Laban members and one UNIDO

Aquino's principal leftist adviser, Joker Arroyo, also appears to be more sensitive to the potential for backlash against Aquino if the perception that she is controlled by radicals continues to flourish. According to the US Embassy, Arroyo wants Aquino to reassure Enrile that she will not go after wealth acquired by him under Marcos or pursue investigations of human rights abuses possibly committed by senior and reformist military officers. Arroyo also plans to urge Aquino to reconcile her differences with Laurel in an effort to strengthen the coalition. [REDACTED]

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Aquino has also toned down her attacks on the opposition in the wake of Marcos's continued "meddling" in domestic politics. Aquino recently offered five seats in the constitutional convention to former members of Marcos's party—a reversal of her earlier refusal to allow them to participate. [REDACTED]

### Key Tests Ahead

We believe Aquino's efforts to dampen factionalism in the coalition have far to go before achieving results.<sup>2</sup> The fluidity of the political scene makes it difficult to predict what issues could irrevocably split the coalition, but we can highlight several potentially divisive issues that are already causing difficulty for the new government. [REDACTED]

**Labor Unrest in Manila.** In our judgment, labor problems may become the most urgent economic issue. Strike activity increased 30 percent in 1985 and was the highest since the imposition of martial law in 1972 as unions attempted to restore the dramatic losses in real income suffered over the last two years. Real compensation in manufacturing, for example, has declined by 25 percent since 1983. [REDACTED]

Additional labor militancy is probable, according to US Embassy officials, partly because unions have become more radical. The KMU may have been involved in nearly half of last year's strikes. [REDACTED]

[REDACTED] Militant union leaders probably also believe that their interests will be well

<sup>2</sup> If she fails, she will be most vulnerable in the period before a new constitution seals her legitimacy. The commission appointed by Aquino to write the new constitution convened on 2 June and has been informally asked by her to finish within 90 days, after which the constitution will be submitted to a national plebiscite. [REDACTED]

served by Labor Minister Sanchez—a lawyer formerly involved in organizing unions against multinationals operating in the Philippines. [REDACTED]

**Substantial Communist Insurgent Political and Military Victories.** According to the US Embassy, recent Communist Party strategy is designed to aggravate existing cracks in the Aquino coalition over counterinsurgency strategy. An untested source of the Embassy says that, although the Communists are reassessing their long-term strategy for taking power, most party leaders view participation in cease-fire negotiations with the government as a tactic to buy time until implementing a new game plan against the Aquino government. [REDACTED]

[REDACTED] the party's tactic of pursuing a cease-fire could be working. Recent statements by the party's front organization that it is willing to discuss the government's cease-fire proposals have provided leftist Cabinet members who are advocating a cease-fire with ammunition against rightwing military advisers who insist on a military approach to counterinsurgency. The US Embassy reports that Aquino's leftist advisers are convinced that party willingness to participate in negotiations is a first step toward eroding the party's mass base and bringing guerrillas down from the hills. More important, perhaps, the party's tactic seems to be working with Aquino through her close advisers, some of whom evidently still believe that most guerrillas joined the insurgency out of frustration with the Marcos administration and thus will soon surrender and work with the new government. [REDACTED]

In the meantime, the Communist Party has stepped up its military operations in the countryside, and, according to a source of the US Embassy, may even be planning several spectacular operations in an effort to destabilize the new government. According to the US Embassy source, party leaders believe that military morale is low in the provinces because of the

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leadership shakeup under Chief of Staff Gen. Fidel Ramos, and the party is trying to take advantage of disorganization stemming from military reform. In addition, party leaders have been attempting to neutralize the recent improvement of the military's image after its participation in the ousting of Marcos by criticizing Enrile's and Ramos's participation in the new government. The source also says that the party is considering seizure of an island—such as Mindanao, where the armed struggle is most advanced—in an effort to bring down the new government. [REDACTED]

***The Hidden Wealth of Marcos's Associates and Alleged Human Rights Abuses by the Military.*** Aquino's preoccupation with holding stalwarts of the Marcos regime accountable for past crimes has provided her supporters who are bent on retribution with a blank check to uncover ill-gotten wealth and human rights abuses. Although government investigators are proceeding with some caution in the area of military abuses, the Commission on Good Government headed by Jovito Salonga is vigorously pursuing the issue of hidden wealth. According to the US Embassy, Salonga has sequestered the assets of all known Marcos allies. In addition, Aquino has asked Cabinet members to release financial statements and verify their holdings to the commission. Aquino's personal involvement in the issue undoubtedly has worried several coalition members—including Finance Minister Ongpin, who was president of a company in which Imelda Marcos's brother owned the controlling interest. According to the US Embassy, Defense Minister Enrile is worried that Aquino will use evidence of wealth he acquired under Marcos to ease him out of the government, and he is threatening to use his influence in the reform movement against her if she allows further investigations of his role in Marcos's regime. [REDACTED]

[REDACTED] many military officers, including members of the reform movement, are also worried that investigations into human rights violations will turn into a witch hunt and a subsequent purge of the armed forces. Indeed, the [REDACTED] many of these officers are concerned that leftist advisers in the Cabinet, who have defended victims of military abuse, are leading the campaign to expose crimes by the military.



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#### **How the Chemistry Might Change**

The chances that one or some combination of these issues will lead to changes in Aquino's coalition in the next year are high, in our view. In most cases, we believe the result would be a more coherent approach to public policy and a more streamlined decision-making process. Change probably would produce a realignment of existing factions, however, increasing the influence of some at the expense of others, and, in turn, producing a different orientation by the government on policy matters such as counterinsurgency and foreign investment. [REDACTED]

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Aquino undoubtedly will have a hand in reshaping her Cabinet, although we believe defections are likely to be the chief cause of realignments in the coalition.

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[REDACTED] In addition, a presidential confidant told the US Embassy that Aquino considers Pimentel a political liability because of the furor over the local government issue and may replace him when local appointments are completed. This suggests to us that any firings by Aquino probably will be reserved for individuals who fail to maintain her personal confidence or cause her political embarrassment. Such personal—rather than ideological—considerations make it less likely, in our view, that she will dismiss an entire faction from the coalition. [REDACTED]

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***A Strengthening of the Left.*** Thus far, Aquino's views on contentious issues have been most in line with her leftist and populist advisers. For that reason, we believe the most likely realignment of forces would involve the departure of several rightwing and conservative centrist players in the Cabinet—a development that would leave the government

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**Why Conservatives Might Leave the Coalition**

*Recent developments in the labor sector increase the prospects for rightwing and conservative adviser defections from the government, in our view. If the number of disruptive strikes increases substantially, Aquino undoubtedly will face pressure to crack down from key constituencies, including the military and the business community. Because of Aquino's public commitment to forge a different course than Marcos, however, we believe Aquino would resist pressure to take action that might turn violent or, in her mind, violate workers' rights. A policy of accommodation, however, probably would fail to bring labor unrest under control—a development that would continue to jeopardize the country's internal stability and its economic recovery. Under these circumstances, we believe moderates in the coalition would be tempted to desert Aquino.*

*Simultaneously, if Aquino fails to rein in advisers who are intent on uncovering all the sins of the Marcos era, rightwing and moderate advisers might abandon the coalition. Her alliance with the military is already on shaky ground, and a ruthless investigation of human rights abuses probably would goad senior military leaders to withdraw their support. In addition, Ongpin's former business relationship with the Marcos family—and his brother's Cabinet rank*

*under Marcos—underscore the extent to which the new government has been linked to the previous regime. In our view, an overzealous approach to the graft and corruption issue, untempered by current political realities, could cost Aquino considerable credibility with her moderate advisers—and even push them into a political alliance with disaffected members of the military.*

*Counterinsurgency strategy is perhaps the most likely issue that could prompt an exodus of the center and the right. If the Communists pursue a series of escalating military incidents while continuing to negotiate a cease-fire with the government, Aquino could expect to face strong pressure from Enrile and Ramos to cease negotiations and respond with a military crackdown. Aquino's tendency, however, to view the insurgents as Filipinos disaffected with the corruption and abuse of Marcos's military would probably make her reluctant to approve a decisive military response until all efforts to negotiate a cease-fire were exhausted. A dramatic increase in the scope and number of insurgent attacks in the face of Aquino's hesitation might prompt moderate coalition members to abandon Aquino and press for military intervention.*

*decidedly left of center. Although some of these Cabinet officers—such as Enrile—may fall victim to government efforts to ease them out, other Cabinet officers such as Vice President Laurel and Central Bank Governor Jose Fernandez might resign because of disagreement on policy. In our judgment, they might be joined by centrist and moderate Finance Minister Ongpin.*

*We believe the absence of traditional political views in the Cabinet would result in a populist course for the government. For example, we believe Aquino would be encouraged to extend her six-month deadline for cease-fire negotiations with the insurgents, even if insurgent attacks continue to escalate. In addition,*

*distrust of the military—particularly among leftists—would reinforce Aquino's wariness over the military's role in the assassination of her husband and would further isolate senior military officials from counterinsurgency policymaking. In our view, Aquino would also be increasingly resistant to economic reform measures, such as liberalizing foreign trade and freeing up the foreign exchange market, because such actions carry short-term costs for consumers and small businessmen.*

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Such a shift in the Cabinet would not be without political cost for Aquino. In addition to a policy orientation that, in our view, would seriously hinder the country's economic recovery and efforts to roll back the insurgency, a leftist-dominated coalition almost certainly would strengthen opposition ranks. We believe dropouts from the center and the right would work with elements of Marcos's former party to run candidates against the new government's election slate, and such a slate might present a stiff challenge.

Moreover, a senior member of Aquino's party recently told US officials that he believes the opposition can outspend supporters of both Aquino and Laurel and that the new government would suffer a severe setback in local elections if Aquino and Laurel failed to unite behind a single slate.

**Leftists Drop Out.** Although less likely, in our view, Aquino could distance herself from leftist policies, producing a realignment in the coalition that favors conservatives. In this case, we believe leftists in her Cabinet, such as Arroyo, Saguisag, and Sanchez, and some idealistic advisers, such as Father Bernas, would probably grow disillusioned with the realities of political life and depart.

A decrease in leftist influence in the Cabinet would greatly strengthen moderate positions on issues such as counterinsurgency and economic policy. We believe, for example, that a reduction in leftist and populist influence might offer Ramos a chance to convince Aquino of the need for an integrated civil and military approach to counterinsurgency.

Aquino probably would embark more quickly on a reformist economic course in the absence of leftist advisers. Although we believe there would still be disputes within the Cabinet over, for example, how far

### ***Why Leftists Might Bolt the Coalition***

*A dramatic escalation of insurgent military operations could force Aquino to shift her reliance for advice on counterinsurgency from leftists and Jesuit confidants to the military. Although Aquino has reiterated her willingness to allow the insurgents a six-month grace period before embarking on military counterinsurgency operations, a recent upsurge in insurgent attacks—including one in which a journalist friend of her family was killed—has exasperated Aquino, according to the US Embassy. If Aquino decides that her approach to counterinsurgency is failing, we believe the stock of leftists in the Cabinet will plummet. Such a development might prompt some leftists to return to private business or activist opposition groups.*

*Increased strike activity in Manila is another issue that could strain relations between Aquino and leftists in her Cabinet. Although more lenient strike guidelines make it probable that labor unrest will increase in the months ahead, one reason that strike activity has remained at current levels, in our judgment, is that labor leaders are holding back to give the government a chance to get the mechanics for governing into place. If labor unrest escalates once the honeymoon is over, moderate advisers such as Ongpin and Concepcion may prevail on Aquino to tighten labor laws. Under such circumstances, Aquino might be forced to use the military to keep a lid on labor unrest in Manila. A crackdown on labor, however, could easily prompt leftists to leave the government.*

*to go in implementing measures to reduce the budget deficit—a prerequisite for further disbursements of funds from the International Monetary Fund and other international creditors—the chances that pragmatists would prevail on key budget and financial questions would be greatly improved without leftists and populists in the Cabinet.*

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There are costs to isolating the left from a role in domestic politics. Before Marcos's departure, opposition politics ran a spectrum from left to right, with old-style experienced politicians such as Laurel on the conservative extreme, and young idealistic political novices at the radical end. We believe efforts to exclude this new generation of political leaders from the government would in the near term almost certainly produce more public displays of opposition to Aquino and claims that her government is no different from the "Marcos dictatorship" it replaced. Over the longer term, it runs the risk of providing the Communist Party with new recruitment opportunities from the ranks of disaffected leftists who are denied a legitimate political voice. [ ]

**The Center Crumbles.** The least likely outcome of internal squabbles would be the departure of the pragmatists who constitute much of the center, most notably businessmen such as Ongpin and Concepcion and legal experts such as Cecilia Munoz Palma. We believe a realignment that leaves the left and the right to battle out policy would make Aquino's reformist agenda an early casualty. In our view, leftist advisers would probably remain preoccupied with policies that liberalize labor policy, play down the military's role in counterinsurgency, and right the wrongs of the previous regime. Simultaneously, we believe politicians such as Laurel and Pimentel would concentrate on strengthening their power bases through their positions in the coalition with an eye toward running in the next presidential election. With such priorities, we believe most policy would become a victim of power plays between warring Cabinet factions—a development that probably would produce paralysis at senior levels of the government. [ ]

#### **Short-Term Implications**

We cannot rule out the possibility that paralysis on policy matters or uncertainty surrounding the departure of members of the coalition could prove fatal to the new government. For example, strong doubts in the military about Aquino's commitment to counterinsurgency could lead to the departure of reform-minded moderates and prompt the military to intervene. This is especially probable if insurgent attacks increase, labor unrest gets out of hand, or idealists intent on righting the wrongs of the Marcos era move to purge military ranks. [ ]

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#### **Why the Center Might Depart the Coalition**

*If Aquino stalls indefinitely on basic issues such as holding a plebiscite to ratify a new constitution or scheduling local and national elections, we believe reform-minded Cabinet officers may leave the government. The US Embassy says Cojuangco and Arroyo have laid the groundwork for delaying elections by incorporating vague language into the decree that sets the timetable for the constitutional plebiscite—a prerequisite to any ballot. If this occurs, we believe advisers such as Munoz Palma, who was strongly opposed to dissolving the National Assembly, would lose faith in Aquino's willingness to establish democratic mechanics for governing.* [ ]

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*Efforts by some Cabinet members to obstruct economic reform—either on ideological grounds or for financial self-interest—would also cause other moderate advisers such as Ongpin to doubt Aquino's ability to lead the country's economic recovery. For example, objections by populist and leftist advisers on economic issues such as lowering import tariffs and allowing a free market peso float, because of the negative short-term impact on consumers and small businessmen, could prompt Aquino to decide against such reform measures.* [ ]

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Until the chemistry of Aquino's coalition is established, in any case, we believe that US relations with the Philippines will show more frictions and strains than during the Marcos years. Much of this, in our judgment, will reflect the fact that the new government is a coalition spanning the political spectrum. At the same time, Aquino's operating style produces more public debate on the issues than occurred under Marcos and thus a higher "noise level" as the government grapples with policy. After three months in power, it is apparent that Aquino will allow her ministers a free say on any subject in public as well as in Cabinet meetings, despite the confusion and apparent contradictions this produces. We believe that Aquino's approach to policy issues—"surveying and mulling the evidence"—reinforces this process; Aquino apparently is satisfied that in the end she will be the final arbiter of policy. [ ]

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In any event, we believe Aquino's agenda will cause bilateral friction in the short term. Although she openly acknowledges that economic recovery is the leading priority and her government has to show results soon, Aquino's dogged pursuit of other issues—such as recovering and repatriating the hidden wealth of Marcos and his associates, maneuvering to keep Marcos within the legal jurisdiction of the United States, and addressing the human rights abuses of the former government—leaves her open to criticism at home and abroad that she is more concerned with retribution against the ousted government than with addressing the country's serious problems. Aquino is well aware of US concern about her agenda, but she almost certainly believes that Washington will have to adjust because,

[ ] she views these issues as part of the transition to constitutional government. Aquino, in any case, probably is counting on being able to point to several solid accomplishments to assuage Washington's concerns by the time she makes an official visit to the United States later this year. These include completion of negotiations with the IMF for a new financial adjustment program, the finished draft of a new constitution, and perhaps the scheduling of local and national elections.

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